



STATE OF UTAH

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Audit Subcommittee of the Legislative Management Committee

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Speaker Greg Curtis
Co-Chairman of the Legislative Audit Subcommittee
W030 State Capitol Complex,
Salt Lake City, UT 84114

Subject: Cost of Legal Notices Placed in Newspapers

Speaker Curtis:

As you know, *Utah Code* requires public entities to provide legal notice in a local newspaper for a wide range of activities such as budget hearings, ordinance changes, or tax increases. We were asked to estimate the amount that public entities in Utah are paying to post legal notices in newspapers. Due to time constraints, we could only provide a rough estimate based on small samples. If a more rigorous study is desired, a full audit should be requested. Our estimates of the annual public expenditure for legal notices range from \$1.6 million to \$2.3 million.

State Law Requires Agencies to Give Legal Notice in Newspapers

Many sections in the *Utah Code* require public entities to give legal notice in a local newspaper of various governmental activities. For example, before cities and towns adopt a budget, the law requires that they hold a hearing to receive public comment. *Utah Code* 10-5-108 directs city and town councils to provide legal notice of the hearing in a local newspaper:

The council shall provide notice of the place, purpose, and time of the public hearing by publishing notice at least seven days before the hearing at least once in a newspaper of general circulation in the town. . . .

Other provisions in the *Utah Code* require state agencies, cities, towns, counties, school districts and special districts to give legal notice of a wide range of governmental activities.

We used two different methods to estimate the government's cost of legal notices in Utah. First, we sampled newspapers. Five issues were selected from each of the state's six daily newspapers and from a sample of 24 local weekly newspapers. Technically, we only examined the listings in five daily newspapers because legal notices placed with the Newspaper Agency Corporation are published in both the Salt Lake Tribune and Deseret Morning News. For this reason, only the listings in the Salt Lake Tribune were examined. Then, we calculated the fees charged for legal notices submitted by government agencies in each issue. The same analysis was performed for three of the weekly papers that serve different regions of the state. For each newspaper, we identified the cost of average cost of publishing the notices in each issue and then used the average to project the total amount spent in each paper during the year. Our estimate for the total annual fees generated for all newspapers comes to \$1.6 million.

Second, we sampled government entities. We conducted a telephone survey of selected state agencies, counties, cities, school districts, and special districts. We asked each entity to identify the amount they spend on legal notices each year. Based on the average amount reported by each type of governmental entity, we then projected what is likely spent by all state and local government entities. The result is a total annual expenditure of about \$2.3 million.

We also asked each governmental entity to describe some of the most common reasons they place a legal notice in the paper. We heard many different responses. Some entities told us they rarely, if ever, give legal notice and reported that they had no expenditures for legal notices. In contrast, other entities seem to go well beyond the legal requirements and give notice even when they are not required to do so. In addition, the notices published by some entities are quite detailed and lengthy while other entities provide a minimal amount of information in each notice. Due to the many different practices we observed and our small sample size, we believe that our survey results should be considered a rough approximation of what is actually spent on legal notices.

Estimates of Annual Legal Notice Costs Range from \$1.6 Million to \$2.3 Million

Depending on the approach used, our estimates of the annual public expenditures on legal notices range from \$1.6 million to \$2.3 million. The smaller figure reflects our estimate of the fees for actual notices published in local newspapers. The larger figure is based on our telephone survey of government entities.

Analysis of Actual Notices Placed in Newspapers

We estimated the cost of a sample of legal notices published in each of the state's six daily newspapers and a sample of the 24 independent local newspapers that regularly publish legal notices. The sample included five issues from each of the daily newspapers published during the past three months and five issues from each of three weekly and bi-weekly newspapers that serve local communities in the state. The newspaper dates were randomly selected except for Newspaper Agency Corp which included February 1st to the 5th, 2007. Using the cost per line or column inch reported to us by the newspapers, we estimated the cost of the notices placed in each of the newspaper issues sampled. This approach allowed us to estimate the average daily cost of legal notices in each newspaper, and thus estimate the annual cost. The following summarizes our results:

Figure 1. Estimated Cost of Legal Notices in Utah's Daily Newspapers. Based on a limited sample, the estimated annual cost of placing legal notices in Utah newspapers is \$1.6 million.

Newspaper	Estimated Annual Cost of Legal Notices
Newspaper Agency Corp. - Salt Lake Tribune/Deseret News (SLC)	\$ 700,000
Herald Journal (Logan)	70,000
Standard Examiner (Ogden)	110,000
Daily Herald (Provo)	50,000
Spectrum (St. George)	150,000
24 Weekly an Bi-weekly Newspapers	500,000
Total:	\$ 1,580,000

Based on an evaluation of the actual notices published in the newspapers, we estimate that the total expenditure on legal notices in five daily newspapers, as well as 24 independent weekly newspapers, comes to about \$1.6 million. The figure is probably below the actual cost because it does not include tax notices or election notices that are published in the newspapers on special occasions and would not have been captured in our analysis of the legal notices section in each paper.

Survey of State and Local Entities

We also surveyed a sample of state agencies, counties, cities, school districts, and special districts and asked each to identify the amount they spend each year on legal notices. Some provided the actual amounts, while others provided a budgeted amount. Based on our survey results, we estimated the average amount spent by various types of governmental agencies. The following summarizes our results:

Figure 2. Estimated Cost of Legal Notices by Utah's Public Entities. The following is our estimate of the cost of legal notices by various state and local governmental agencies, including special districts.

Public Entities	Estimated Expense for Governmental Type
State Agencies	\$350,000
Counties	400,000
Cities	700,000
School Districts	100,000
Special Districts	750,000
Total:	\$2,300,000

Recognizing that the above figures represent only a rough estimate of the amount spent by various public agencies, we conclude that the public outlay for legal notices is approximately \$2.3 million.

State Agencies Report \$350,000 in Expenditures for Legal Notices. Of the 12 state agencies that answered our request, 8 reported posting legal notices while 4 stated that the function of their agency did not require them to place notices. Figure 3 shows the actual amounts reported by the state agencies we contacted varies widely from zero to \$200,000 in annual expenditures.

Figure 3. Reported Cost of Legal Notices by Utah State Agencies. The following are the amounts expended for legal notices reported by a selection of state agencies.

State Agency	Annual Cost of Legal Notices
Department of Transportation	\$ 201,000
Division of Water Rights	60,741
Division of Motor Vehicle Enforcement	42,119
Division of Facilities Construction and Management	28,376
Division of Oil Gas and Mining	12,273
Division of Radiation Control	3,383
Division of Forestry, Fire, and State Lands	1,100
Department of Agriculture	500
Department of Financial Institutions	-0-
Office of Recovery Services	-0-
Division of Finance	-0-
Department of Youth Corrections	-0-
Total:	\$ 349,492

The total actual dollars spent for those agencies sampled, was about \$350,000; however, if we were to survey more agencies, that figure would likely be higher.

Counties Spend Approximately \$400,000 a Year on Legal Notices. We asked six counties to identify the amount spent on legal notices. Salt Lake County reported they spent \$110,000 last year, but they were not typical. Most counties report spending just a few thousand dollars each, but there was a fairly large distribution. Piute was the lowest with \$3,000, while Duchesne reported nearly \$17,000 in expenditures for legal notices. Excluding Salt Lake County, the average appears to be approximately \$11,000. Assuming 28 counties spent \$11,000, plus the \$110,000 by Salt Lake County, our estimate for all counties comes to \$418,000, or approximately \$400,000.

Cities Spend Approximately \$700,000 per Year. To estimate the cost to all Utah cities to post legal notices in newspapers, we sampled cities from Cache, Davis, Salt Lake, Weber and Utah counties. Based on the responses, we estimated the average cost of legal notices for class

1, 2, and 3 cities (those with population of 30,000 or more) and for class 4 and 5 cities (populations below 30,000). During our survey of four larger and eight smaller cities, we found a number of inconsistencies in the way cities reported this data. For example, some were able to report only a portion of the city's total cost of public notices because several different divisions within the city government were responsible for placing legal notices. These inconsistencies, in addition to our exclusion of the 100 towns in the state, likely cause us to underestimate the total cost to cities.

Figure 4. Estimated Cost of Legal Notices by Utah Cities. Based on the amounts reported by a sample of cities, we estimated that cities spend about \$700,000 a year on legal notices.

Cities by Municipality Classification	Number of Cities	Average Dollars Spent Per City Sampled	Projected Cost to All Cities in Class
Class 1, 2, & 3	18	\$13,000	\$234,000
Class 4 & 5	119	4,000	476,000
Total			\$710,000

* Towns (population center of less than 1000) classification was excluded from this sample.

The above figures are an approximation of actual costs and not intended to represent a precise amount. We found that for cities in the first, second, and third classes, the approximate cost per city is \$13,000, for an estimated annual total expenditure of \$234,000 for 18 cities. For cities in the fourth and fifth classes, the approximate cost per city is \$4,000 or an estimated total annual cost of \$476,000 for the 119 cities. Therefore, we estimate that the total cost to post legal notices for Utah cities is about \$700,000 per year.

School Districts Spend Approximately \$100,000 per Year. Five school districts provided us information on the amount they spend on legal notices each year. The highest is Alpine, which spent \$4,869 while the lowest is Morgan School District which reported \$675 in expenditures. The average appears to be about \$2,500. With 40 school districts, that comes to a total of \$100,000 in annual expenditures for legal notices.

Special Districts Spend About \$750,000 per Year. Utah has more than 400 special districts which much comply with the state's legal notice requirements. However, many are small, single-purpose entities affiliated with city government that may have their legal notices placed by the city government. To avoid double counting the cost of their expenditures on

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public notices, we only estimated the cost of the 268 special districts which filed independent audit reports with the state auditor in 2005. Based on our survey of five special districts and from information regarding 28 special districts provided by the Utah Association of Special Districts, we estimate that special districts typically spend about \$2,800 a year for legal notices. The largest amount reported by a special district was the Weber Basin Water Conservancy District which spends between \$40,000 and \$50,000 each year. By multiplying the \$2,800 average expenditure by 268 special districts, we estimate that the total amount spent each year by special districts is \$750,000.

In summary, we conducted a brief analysis of public expenditures for legal notices. Our analysis is a review of the notices published in the state's newspapers as well as on a brief survey of state agencies, counties, cities, school districts and special districts. The analysis likely understates the actual cost because it does not include the expenditures by towns, universities or quasi-governmental entities such as associations of government, mental health agencies and housing authorities. In all, we believe the analysis shows that government spends from \$1.6 million to \$2.3 million dollars or more each year in order to comply with the laws requiring that legal notice be given of public hearings, tax increases, election notices, requests for proposals and other government activities.

Sincerely,

John M. Schaff, CIA
Auditor General

JMS:JPB/lm